Annual Audit Letter 2015/16

The Borough Council of Wellingborough

October 2016
This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment’s website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact John Cornett, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG’s work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA’s complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.
### Section one

**Headlines**

This Annual Audit Letter summarises the outcome from our audit work at the Borough Council of Wellingborough in relation to the 2015/16 audit year. Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

| VFM conclusion | We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 29 September 2016. This means we are satisfied that during the year that Authority had proper arrangements for informed decision making, sustainable resource deployment and working with partners and third parties. To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties. |
| VFM risk areas | We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks. We reviewed the Authority’s financial governance, financial planning and financial control arrangements. This included monitoring the Council's financial position in year and reviewing the Council’s progress in delivering its budget as part of its wider arrangements to secure financial resilience in the short and medium term:  
  - We noted the Authority marginally exceeded its net budget of £10.046 million for 2015/16, with an outturn of £10.119 million.  
  - We reviewed the Authority’s Medium Term Financial Plan (MTFP) for the 4 year period 2016/17 to 2019/20 and note the Authority has planned to deliver a budget for 2016/17 of £9.888 million.  
  - The MTFP identifies savings required of £3.5 million over the four year period.  
  - We have reviewed the assumptions contained within the MTFP for pay and price inflation and concluded they are reasonable.  
  - Government grant income is based on reasonable assumptions concerning future entitlement. We have agreed amounts included in the MTFP to the “Provisional local government finance settlement” notification from the DCLG.  
  - The Authority is confident its MTFP and long term financial planning is appropriate and realistic. At the same time the Authority acknowledges that there is an increased risk of not delivering a balanced budget.  
  - The Authority has established an Efficiency strategy, setting out principles of generating savings over the medium term. Project updates are presented to the Resources Committee. |
| Audit opinion | We issued an unqualified opinion on the Authority’s financial statements on 29 September 2016. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. |
| Financial statements audit | We agreed the validity of and the most appropriate treatment for the transaction in relation to the negative capital financing requirement. We agreed with the substance of the transaction from unusable to usable reserves, but considered it should be accounted for as a prior-period adjustment, and the Authority made the appropriate adjustments for this. Our audit also identified material misstatements over the presentation of the NNDR appeal provision and grants received in advance, which were previously shown within creditors, and amendments were made to correct these within the accounts. |
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<td><strong>Headlines (cont)</strong></td>
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<table>
<thead>
<tr>
<th>Annual Governance Statement</th>
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<td>We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.</td>
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<th>Whole of Government Accounts</th>
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<td>The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review your pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.</td>
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<th>Certificate</th>
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<td>We issued our certificate on 29 September 2016. The certificate confirms that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit &amp; Accountability Act 2014 and the Code of Audit Practice.</td>
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<td>Our fee for 2015/16 was £54,018, excluding VAT. This includes a proposed additional fee relating to the risk identified in our audit plan regarding the Capital Financing Requirement, and the subsequent amendment to the accounts, and also for the prior period adjustment that your officers included when drafting your financial Further detail is contained in Appendix 2.</td>
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Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

- **Budget Survey Report (February 2016)**
  The External Audit Plan set out our approach to the audit of the Authority’s financial statements and to work to support the VFM conclusion.

- **External Audit Plan (March 2016)**
  The External Audit Plan set out our approach to the audit of the Authority’s financial statements and to work to support the VFM conclusion.

- **Audit Fee Letter (April 2016)**
  The Audit Fee Letter set out the proposed audit work and draft fee for the 2016/17 financial year.

- **Auditor’s Report (September 2016)**
  The Auditor’s Report included our audit opinion on the financial statements along with our VFM conclusion and our certificate.

- **Certification of Grants and Returns (February 2016)**
  This report summarised the outcome of our certification work on the Authority’s 2014/15 grants and returns.

- **Report to Those Charged with Governance (September 2016)**
  The Report to Those Charged with Governance summarised the results of our audit work for 2015/16 including key issues and recommendations raised as a result of our observations. We also provided the mandatory declarations required under auditing standards as part of this report.

- **Annual Audit Letter (October 2016)**
  This Annual Audit Letter provides a summary of the results of our audit for 2015/16.
To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2015/16 planned audit fee.

**External audit**

Our proposed final fee for the 2015/16 audit the Borough Council of Wellingborough was £54,018. This compares to a planned fee of £50,011. The reasons for this variance of £4,007 are additional work, which was not allowed for in our initial plan, namely:

- a review of the Council’s proposals and accounting for transferring £8.624m relating to unwinding a duplicate financing of capital expenditure, resulting in a Capital Financing Requirement of zero, and the associated Prior Period Adjustment (PPA).
- We also reviewed a further PPA correcting an overstatement of assets held in both assets under construction and investment properties.

Our fees are still subject to final determination by Public Sector Audit Appointments.

**Certification of grants and returns**

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority’s housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2017.

**Other services**

We also charged £3,000 for tax advice. This work was not related to our responsibilities under the Code of Audit Practice.